

FINAL MEETING SUMMARY

HANFORD ADVISORY BOARD (v.1)

BUDGET AND CONTRACTS COMMITTEE

March 2, 2004

Richland, WA

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This is only a summary of issues and actions in this meeting. It may not represent the fullness of ideas discussed or opinions given, and should not be used as a substitute for actual public involvement or public comment on any particular topic unless specifically identified as such.

Welcome and Introductions

Gerry Pollet, committee chair, opened the meeting and welcomed the committee. He briefly reviewed the agenda and goals for the meeting.

The January committee summary was adopted.

Department of Energy (DOE) Public Budget Workshop

The committee discussed the public Budget Workshop held earlier in the morning.

Regulator Perspective

Melinda Brown, Washington State Department of Ecology (Ecology), stated that DOE-Richland Operations Office (DOE-RL) is looking at how work can be moved around so that DOE can comply with M-91 and other recently negotiated milestones. Some other changes have been mentioned, including possible changes to the strategy for moving the cesium and strontium capsules and changes to the approach for K basin cleanup. Ecology's understanding is that these items are just under discussion and are not actual proposed changes to the Tri-Party Agreement (TPA). Ecology is still focused on the TPA milestones and expects these milestones will be incorporated into the baseline. She noted that the 2005 baseline is based on what is currently in existence, so the M-91 changes have not been incorporated yet.

Melinda commented that DOE headquarters (DOE-HQ) made the decision to set aside \$350 million complex wide, pending the resolution of the high-level waste (HLW) reclassification issue. This affects DOE Office of River Protection (DOE-ORP)'s baseline by about \$64 million, most of which does not relate to TPA- specified work. DOE-ORP is working hard to separate the supplemental technology and transuranic (TRU) work funds from the reserved funds. Melinda noted that the budget cutbacks were made in Congress, but Hanford was fortunate, as the cutbacks could have been worse.

Committee Discussion

Overall Workshop and DOE-ORP Breakout Session

- Committee members generally appreciated the information that was shared at the workshop, though some of the information seemed to be more process and technically based, rather than budget based. One concern was about the 2-year timeline currently allocated for decontamination and decommissioning of the Waste Treatment Plant. Howard Gmann, DOE-ORP, responded that that is a good example of how DOE plans to continually re-evaluate and re-estimate the baselines. The baselines are under a change control process, so all possible changes will go through a disciplined approval process and DOE will discuss the scope of the work with the committees.
- When details are discussed about the \$64 million hold up, the programmatic and technical issues become as important to the discussion as the budget aspect. Committee members felt this is a possible topic for a joint committee meeting with the Tank Waste Committee.
- One committee member would like to see the connections between the TPA and the budget more clearly defined.
- There is concern as to whether or not the budget estimates will become a reality as they are based on numerous assumptions, including regulator approval and changes to TPA milestones. One example of this is not having the second vitrification plant in the baseline right now. Howard responded that DOE-ORP has a commitment to create a more detailed plan by January 2005 that will show why a second vitrification or expanded Low Activity Waste (LAW) plant is not necessary. He admitted that the question then becomes, "Is there enough money in the baseline to build the second plant if it is determined to be necessary?" Between now and January, DOE-ORP is committed to proving that supplemental technology will work while re-evaluating the feasibility of the technology and making certain the comparison is adequate. The committee has asked for the budget numbers and cost estimates specifically for the bulk vitrification and Howard responded that DOE-ORP will provide those numbers between now and January 2005.
- Howard was asked to estimate his confidence in the accuracy of the \$28 billion estimate for tank closure. Howard responded that an independent source estimated this projected cost to be accurate within about \$6 million.
- Howard added that DOE-ORP and DOE-RL are working together to integrate the current baselines. The first iteration of this integrated baseline is scheduled to be

completed later in March, as they work to understand how to best move the funds and scope between offices.

- Howard stated that while Fiscal Year 2004 (FY04) appropriations were about \$22 million short, these funds will be found in both internal funds and DOE-HQ funding. He is not concerned about funding for FY04 or FY05 as there was \$400 million carry over from FY03 available.

River Corridor Break Out Session

- There is some frustration over the fact that the River Corridor Contract has not been awarded yet and DOE is not talking about it with the committee. Several committee members stated that they would like to see a schedule from DOE-RL, as the river corridor projects seem to be paralyzed. Even with the indecision on the contract, however, work is still on schedule and no milestones seem to be in jeopardy.
- There is concern about the 15-year time line for the Fast Flux Test Facility (FFTF) and questions about whether the metal roof on the building will last that long.
- It was noted that the removal of the reactor cores to the Central Plateau was no longer being included in the baseline, giving an inaccurate comparison to previous numbers.

Central Plateau Break Out Session

- A committee member pointed out that another Environmental Impact Statement (EIS) on operable units on pre-70 TRU is not in this budget, nor are there funds set aside for remote-handled TRU storage.
- The Plutonium Finishing Plant (PFP) is scheduled to eliminate all security in 2006/2007. It was suggested that the priority on moving the stabilized plutonium packages to Savannah River be increased; otherwise it is not possible that all of the material will be transferred in the same timeframe. Also, committee members are not fully clear on why the Savannah River option makes more sense than sending the packages to T Plant.
- There is concern that it seems the only long-term option being considered is capping these sites. The regulators have stated that capping would not be their immediately presumed choice.
- Some committee members were generally concerned with the overall lack of detail, as it seems to be too little detail to assure the appropriate level of funding as well. This raises concerns about funding in years after FY07.
- There are no funds set aside for the cost of the M-91 change package modifications.

The committee determined the parts of the workshop that would be appropriate for advice and assigned committee members to work on the draft advice.

Contract Award Fees for Fiscal Year 2003

DOE-ORP

Howard stated that, in 2003, \$9.3 million was awarded to Bechtel National, Inc. (BNI). DOE-ORP could get some of those funds back if future goals are not met. A portion of the \$9.3 million is program payments that will be made in 2004 that are not subject to performance measures. BNI also receives a quarterly fee that is paid based on schedule and performance.

CH2MHill Hanford Group (CHG) was awarded approximately \$9.4 million pending completion of work in 2004, 2005 and 2006. The renegotiated contract does not specify amounts for each year: if they don't make their performance measures one year they can make up for it in the next. The previous year they received about 93% of their earnable funds. (They didn't receive all of their earnable funds partly due to a spill over of work into 2004 and also because they changed the workforce and approach which lost them some time.)

DOE-RL

Jeanie Schwier, DOE-RL, stated that Fluor Hanford had \$13.4 million in available payments and fees, but \$4.1 million was deducted because they did not meet criteria, especially the lock and tag out and the Spent Nuclear Fuel (SNF) safety criteria. \$2.1 million of the fee could be re-earned if Fluor gets the SNF safety criteria in by the deadline, May 31st.

Jeanie stated that Bechtel Hanford is a top performer and has earned 100% of their fee.

Regulator Perspective

Melinda stated that Ecology does not address award fees unless a contractor were incentivized not to comply with the TPA or to do something other than what is in the TPA.

EPA views it as odd that Fluor would be able to recover fee after missing milestones, rather than being penalized. Jeanie responded that \$1 million of the fee is not recoverable. Also, the \$3 million was not deducted solely because of the missed milestone, but also for engineering and other problems. Fluor also has to pay other fines, including those assessed by the EPA. She will be forwarding this information on to Melinda and the committee.

State of the Site Meetings

Yvonne Sherman, DOE-RL, gave a quick summary of the contents and organization of the State of the Site meetings. All speakers have been asked to keep presentations short and to the point and to leave plenty of time for a question and answer session afterwards. As far as handouts, DOE will bring copies of the budget briefings and the Hanford Fact Sheet.

Gerry asked the committee if there are any specific issues they would like the speakers to emphasize.

Committee Discussion

- Susan stated that she would like to be sure that DOE addresses the general cleanup plan and how it relates to TPA milestones. Yvonne noted that this could be covered in an “accomplishments and challenges” section, similar to previous years meetings.
- Gerry stated that Ecology should know that there was a request for information on safety issues from last year, including an update on the safety issues and concerns that have been in the news lately. Yvonne suggested that, if these topics don’t come up in the presentations, then someone could bring them up during the question and answer sessions. She stated that the meeting is meant to be mostly interactive, rather than just presenters lecturing to the audience.

Tri-Party Agreement Proposed Changes to Budget Public Process (Paragraphs 148 and 149)

Gerry asked the agencies to tell the committee what they are hoping to change about the TPA budget public process.

Ecology

Melinda said that Ecology’s main goal for the changes to the TPA is to modernize the language. There is currently language in the TPA that refers to things Ecology and DOE have agreed not to use anymore. Ecology intends to preserve the stakeholders’ and Ecology’s right to share their values and comment and have input into the baseline.

DOE-ORP

Howard stated that he would like to see the whole process modernized. However he questions the need for such detailed language in the TPA. He believes the milestones in the TPA are guiding and shaping the baseline and thinks that the need for such prescriptive language has passed. Ultimately he would like to see the TPA modernized with language that the agencies can all agree on. Howard also stated that he would like stakeholders and Board members to understand and be comfortable with the fact that a change to the baseline and a change to the funding profile are synonymous.

Committee Discussion

- Ecology had stated that they were hoping the committee would propose their own language, but there was general agreement from committee members that it is not appropriate for the committee to craft TPA language. An alternative is for individuals to draft language and send it to the agencies.
- Melinda stated that Ecology is exploring one outstanding internal question and, once it is resolved, the draft will be ready to go to DOE for negotiation. Ecology will be willing to provide updates on the status of the negotiations.

Proposed Contract Terms Relating to Pensions and Benefits for Employees

Becky Holland, Hanford Atomic Metal Trades Council (HAMTC), discussed provisions in new DOE Requests for Proposal (RFPs) regarding paid benefits for existing and new employees at the time that the succeeding contractor takes over. For existing employees, existing benefits would stay in effect for the first five years of the new contract. At the end of those 5 years, the employee can choose to retire or go to the new contractor's plan. Becky stated that, because DOE is looking at closure now rather than production, they feel they can change the plans for incumbent employees. She is worried about the effect this is going to have on the work getting done and the knowledge base that is on-site. For example, workers at FFTF would know they only have another five years on the plan and so they will start leaving en masse. There is hidden value in these workers: they are subject matter experts where they work. When they leave, DOE is going to start seeing an increase in health and safety claims as well as excessive training hours to get the new workers up to speed. Training will be a poor substitute for the knowledge of the existing workers. The existing workers are getting the work done quickly and safely. Workers' leaving doesn't just affect the Hanford workforce, but also the community. Becky reiterated that HAMTC believes that, while DOE-RL and DOE-ORP have input, they are not the ones ultimately making the decision.

Committee Discussion

- There is concern that new workers will hinder the accelerated work plan, as new workers don't look at safety in the same way a seasoned worker does.
- At first glance, the notion that DOE will be saving by using the subcontractors appears to be based on the idea that a younger, more transient, workforce is cheaper. Upon further investigation, it appears that DOE's goal is just to change the workforce and this has major safety implications, including health monitoring and on-the-job safety issues.
- There is certainly nothing wrong with DOE trying to save money, but there seems to be a trend of DOE trying to divest itself of its obligations to the workforce.
- Hanford workers are unique in the industry: they are held to a higher standard and are exposed to different and worse effects over time. Subcontracting on a wholesale level is not a good idea. The advice should address not only the environmental concerns, but also the economy of the region and the obligation to the employees. There couldn't be better workers to take care of cleanup than the workers who were involved in the construction. Also, with all the ideas about long-term stewardship and how the agencies are responsible for any kind of contamination that is discovered, they are no less responsible for the workforce.
- It is DOE's moral responsibility to provide pensions and paid benefits for the workforce. At the same time, if they are to be competitive, they must look at the industry standard. It is important that the existing workforce be protected so that their knowledge and experience can be carried forward. As for new workers, DOE could try to save some money by becoming more competitive with wages and benefits.

- Howard pointed out the committee is operating under the assumption that the contractors will not bring a comparable or better offer.
- Several committee members pointed out that it won't just be the bargaining unit workers who leave, but also the engineers and other skilled workers.
- Committee members feel it is appropriate for the Board to respond to what it views as DOE saving money at the expense of the workforce. Gerry suggested that committee members who are directly affected should not be drafters of the advice. The advice should cover the entire workforce so they can be reassured by DOE that current and future workers will have the benefits to keep them working productively. The advice should also address the investment in training and experience the exiting workforce has and will refer to enhanced work planning and the acceleration of cleanup. Finally, the advice should address the unfunded liabilities in the pension plan and how all the workers cashing out at the same time will affect those liabilities.

Handouts

- Budgets and Contracts Committee Agenda, March 02, 2004

Attendees

HAB Members and Alternates

Allyn Boldt	Rebecca Holland	Gerry Pollet
Norm Dyer	Susan Leckband	Dick Smith
Earl Fordham	Jeff Luke	Keith Smith
Harold Heacock	Maynard Plahuta	Dave Watrous

Others

Jean Schwier, DOE-RL	Melinda Brown, Ecology	Stacey Howery, EnviroIssues
Yvonne Sherman, DOE-RL		Penny Mabie, EnviroIssues
Janice Ward, DOE-RL		Larry Hafer, FH
Howard Gnann, DOE-ORP		Barb Wise, FH
Erik Olds, DOE-ORP		Sharon Braswell, Nuvotec
Jennifer Sands, DOE-ORP		Annette Cary, TC-Herald